

PART 1901 - PROGRAM RELATED INSTRUCTIONS

Subpart A - Loan and Grant Approval Authorities

§1901.1 Purpose.

This subpart contains the loan and grant approval authorities by program of field officials of the Farmers Home Administration (FmHA).

§1901.2 Policy.

The loan and grant approval authorities will be given to the County Supervisor and District Director to the maximum extent possible, consistent with program requirements and available resources. Assistance to FmHA employees, members of their families, close relatives or business or close personal associates is subject to the provisions of Subpart D of Part 1900 of this chapter. Appropriate reviews, concurrence, and authorization, as required by FmHA regulations, must be obtained for all loans and/or grants in excess of the amounts indicated in Exhibits A, B, C, D, E, and F.

§1901.3 Approval documents.

(a) Final approval documents for all insured loans and/or grants will be executed, to the maximum extent possible, by the County Supervisor or District Director, as appropriate.

(b) State Directors, District Directors, and County Supervisors are authorized to execute loan guarantee documents in accordance with approval authorities.

§1901.4 Authorities and responsibilities.

(a) Authority of supervising officials. Supervising officials have their own authority and also the authority given to officials under their supervision.

(b) Authority of acting officials. Acting officials have the authority and responsibility of their regular and acting positions unless limited by designation document.

(c) Redelegation of authority by State Directors. Unless restricted by memorandum from the Administrator, or FmHA regulations, State Directors can delegate their approval authorities to State Office employees within the applicable loan program by issuing a State Supplement.

Distribution: W, S, D, C

General
Program Related
Instructions

RD Instruction 1901-A
§1901.4 (Con.)

(d) Redelegations of authority by District Directors . With the prior written concurrence from the State Director, District Directors can delegate their approval authority to Assistant District Directors by memorandum. Authority will not be redelegated, however, until the Assistant District Director receives adequate training and has sufficient expertise.

(e) Restrictions of approval authority by Administrator . The Administrator can make written restrictions or revocations of the authority given to any loan approval official.

(f) Restrictions of approval authority for other than Farmer Programs loans by State Directors . A State Director can make written restrictions or revocations, for not more than 6 months, of the authority given to an individual.

(g) Restrictions of approval authority for Farmer Programs loans . A State Director may delegate, revoke, increase, or decrease loan approval authority of individuals to amounts indicated in Exhibit C and Attachment 1 of Exhibit C of this subpart.

(h) Restrictions on Assistant County Supervisors .

(1) Newly appointed Assistant County Supervisors will not approve loans until they receive adequate training and written authority from the State Director.

(2) County Supervisors and District Directors must certify that training requirements have been completed.

(i) Restrictions on Emergency Loan Supervisors and Assistant Emergency Loan Supervisors . Emergency Loan Supervisors and Assistant Emergency Loan Supervisors will not approve loans until they receive adequate training and receive written authority from the State Director.

§1901.5 Other program considerations .

See Exhibits A, B, C, D, E, and F for dollar amounts. See appropriate program Instructions for other considerations.

§§1901.6 - 1901.50 [Reserved]

Attachments: Exhibits A, B, C, D, E, and F.

BUSINESS AND INDUSTRIAL (B&I)

GUARANTEED AND DIRECT APPROVAL AUTHORITY

A. The Administrator will delegate separate written authorities for each State. The Administrator may revoke State authorities and require the State Director to submit any or all actions to the National Office for review and concurrence prior to the State Director approving such actions. Authorities will be periodically reviewed for updating and will be based upon the following criteria:

State staffing resources for the B&I program.

1. Staff training completed;
2. Level of expertise within the program area;
3. Servicing experience of portfolio;
4. Evaluation of assessment reviews; and
5. Evaluation of loan analysis ability.

B. Those States which do not have a permanently assigned State Program Chief (program manager or director) or other designee will not be granted authority without National Office review and concurrence. If authority is granted to a State and its State Program Chief or other designee becomes vacant, or there is a change in the incumbent, the State Director is to immediately notify the Administrator and the authority is automatically revoked until notified otherwise by the Administrator.

C. Upon receipt of written notice of delegated authority, the State Director may act to the extent delegated without the prior review and concurrence of the National Office. Authority not delegated cannot be exercised.

D. State Directors may not approve actions on loans or on loan applications previously disapproved or loan preapplications discouraged by the National Office.

E. Information regarding the dollar limitation of State Directors' authorities is available in memorandum form at the State Office or at the National Office from the Director, Business Programs Processing Division.

oOo

COMMUNITY AND BUSINESS PROGRAMS
 LOAN AND GRANT APPROVAL AUTHORITY

Type of Assistance	State Director	District/Other Field Office Official	2/
<hr/>			
<u>WATER AND WASTE PROGRAMS</u> : <u>11/</u>			
Direct Domestic Water Loans	\$5,000,000	<u>1/</u> <u>4/</u> <u>6/</u>	\$1,000,000
Guaranteed Domestic Water Loans	\$5,000,000	<u>1/</u> <u>4/</u> <u>6/</u>	\$1,000,000
Direct Waste Disposal Loans	\$5,000,000	<u>1/</u> <u>4/</u> <u>6/</u>	\$1,000,000
Guaranteed Waste Disposal Loans	\$5,000,000	<u>1/</u> <u>4/</u> <u>6/</u>	\$1,000,000
Section 306C WWD Loans	\$5,000,000	<u>1/</u> <u>4/</u> <u>6/</u>	\$1,000,000
Water and Waste Disposal Development Grants	No dollar limitation	<u>1/</u>	\$1,000,000
Section 306C WWD Grants	No dollar limitation	<u>1/</u>	\$1,000,000
Emergency Community Water Assistance Grants	\$ 500,000	<u>1/</u> <u>3/</u>	
Technical Assistance and Training Grants	<u>8/</u>		<u>8/</u>
Solid Waste Management Grants	<u>8/</u>		<u>8/</u>
Watershed Loans and Advances	\$1,000,000	<u>4/</u> <u>6/</u> <u>7/</u>	

Type of Assistance	State Director	District/Other Field Office Official	<u>2/</u>
--------------------	----------------	--------------------------------------	-----------

WATER AND WASTE PROGRAMS : 11/ (CONT.)

Resource Conservation and Development (RC&D) Loans in Designated RC&D areas	\$ 500,000	<u>1/</u> <u>3/</u>	
- Solid Waste Management	\$ 500,000	<u>1/</u> <u>3/</u>	
- Recreation	\$ 500,000	<u>1/</u> <u>3/</u> <u>7/</u>	
- Other	\$ 500,000	<u>1/</u> <u>3/</u>	

COMMUNITY FACILITIES DIVISION PROGRAMS : 11/

Direct Community Facilities Loans	\$3,000,000	<u>5/</u> <u>6/</u> <u>10/</u>	\$1,000,000
Guaranteed Community Facilities Loans	\$3,000,000	<u>5/</u> <u>6/</u> <u>10/</u>	\$1,000,000
Community Facilities Grants		<u>1/</u> <u>10/</u> <u>12/</u> <u>13/</u>	

BUSINESS PROCESSING DIVISION PROGRAMS : 11/

Business and Industrial Guaranteed and Direct Loans	\$5,000,000	<u>9/</u>	
---	-------------	-----------	--

SPECIALTY LENDERS DIVISION PROGRAMS : 11/

Intermediary Relending Program (IRP)	No dollar limitation		
Rural Business Enterprise Grants and Television Demonstration Grants	No dollar limitation		
Rural Economic Development Loans and Grants	No dollar limitation		
Rural Business Opportunity Grants	No dollar limitation		

Type of Assistance	State Director	District/Other Field Office Official	<u>2</u> /
--------------------	----------------	--------------------------------------	------------

COOPERATIVE SERVICES PROGRAMS :

Rural Cooperative Development Grants	No dollar limitation
--------------------------------------	----------------------

1/ The State Director has approval authority for the indicated program in the indicated amount without National Office review and concurrence provided the State has a program manager. State Directors without program managers have approval authority for the indicated program in the indicated amount only after review and concurrence of the docket by the National Office. This required submission of the docket will continue until the National Office sends written instructions otherwise to the State. Approval authority of District or other field office officials as specified by this Instruction is not affected by the absence of a State Program Manager.

Funding for a Community Programs project includes all activity that an applicant is currently undertaking for a facility to be financed, in whole or in part, with Agency assistance. Approval of subsequent funding to the same applicant or borrower for a different project will not be considered cumulative to the previously approved amount when determining loan approval authority.

2/ When the State Director determines that District or other field office officials possess sufficient expertise in Community and Business Programs, the State Director may delegate his/her approval authority for those programs to such person within the limits of this exhibit.

3/ Maximum amount of loan or grant.

4/ Amounts in excess of those indicated require prior review and concurrence by the National Office on each project before approval. National Office concurrence is not necessary if the loan will be secured by general obligation tax bonds or assessments.

5/ State Directors may approve Community Facilities (CF) loans in an amount not exceeding that shown without prior National Office concurrence. When the State Director determines that the State Office official responsible for the CF program possesses sufficient expertise in CF, the State Director may delegate the approval authority for CF within the limits set by the Administrator or the limits in this exhibit. National Office concurrence is not necessary when the loan exceeds the amount stated herein when the loan will be secured by general obligation tax bonds or assessments. This does not preclude the requirement of National Office concurrence when the applicant does not meet the 5-5 criteria, the loan is being approved on the basis of exceptional community support, or in any case as requested by the State Director. Funding for a CF project includes all activity that an applicant is currently undertaking for a facility to be financed, in whole or in part, with Agency assistance. Approval of subsequent funding to the same applicant or borrower for a different project will not be considered cumulative to the previously approved amount when determining loan approval authority.

6/ If, after construction bids are opened, project costs exceed the amount of loan assistance previously concurred in by the National Office for the project, and such costs cannot be reduced by negotiations, redesign, use of bid alternatives, or other means, the amount of the loan may be increased up to 10 percent without further concurrence by the National Office.

7/ State Directors shall obtain National Office concurrence prior to approving recreational projects to be funded under the RC&D program and projects funded under the Watershed program.

8/ All Technical Assistance and Training Grants and Solid Waste Management Grants will be approved by the Administrator; Assistant Administrator, Water and Waste; or designee.

9/ All B&I approvals are subject to separate written authorities delegated by the Administrator (See exhibit A of this Instruction). Amounts in excess of those indicated require prior review and concurrence by the National Office before approval. When approving subsequent loans, the principal balance plus accrued interest on outstanding loans in addition to the amount of the subsequent loan must be within the approval authority of the approval official. Approval of subsequent funding to the same applicant or borrower for a different facility will not be considered cumulative to the previously approved amount when determining loan approval authority.

When the State Director determines that the State Program Chief (program manager or director) or other designee possesses sufficient expertise in Business Programs, the State Director may delegate his/her approval authority for Business Programs within the limits set by the Administrator or the limits of this exhibit. If the position of State Program Chief (program manager) becomes vacant, the State Director's approval authority will be suspended until reinstated by a memorandum from the National Office. The State Director must request reinstatement of his/her approval authority from the National Office. Loan and/or grant approvals, within delegated authority to District or to his/her field office officials, would not be affected by this action.

10/ Combination Grant, Direct, and/or Guaranteed Community Facilities loan approval authority is limited to \$3 million.

11/ Financial assistance to employees, members of families of employees, close relatives, or business or close personal associates should be made in accordance with RD Instructions 1900-D and 2045-BB.

12/ Maximum grant is limited to either \$50,000 or 50 percent of annual State allocation, whichever is greater.

13/ For Regional Commission grants, administered by the Agency, there is no dollar limitation.

oOo

FARM LOAN PROGRAMS

GUARANTEED AND DIRECT LOAN APPROVAL AUTHORITIES

Type of Loan Assistance Officer	State Farm Loan Executive Director Officer	State Farm Loan Executive Director Officer	District Director GS-13	Farm Loan Specialist Farm Loan Manager GS-11/12	Farm GS-
11	GS-9	GS-7			
FARM LOAN PROGRAMS <u>5/</u> <u>6/</u> <u>9/</u> <u>10/</u> <u>12/</u>					
Direct Operating					
Loans (OL) <u>3/</u> <u>4/</u> <u>7/</u>	200,000	<u>1/</u>	185,000	175,000	
125,000	80,000	50,000			
Guaranteed Operating					
Loans (OL) <u>3/</u> <u>4/</u>	400,000	<u>1/</u>	375,000	350,000	
200,000	160,000	100,000			
Direct Emergency					
Loans (EM) <u>9/</u> <u>11/</u>	500,000		400,000	300,000	
150,000	100,000	50,000			
Direct Economic Emergency Loans					
(EE) <u>7/</u> <u>8/</u>	400,000	<u>1/</u>	375,000	350,000	
150,000	100,000	-0-			
Direct Farm Ownership					
Loans (FO) <u>2/</u> <u>4/</u> <u>7/</u>	200,000	<u>1/</u>	185,000	175,000	
100,000	80,000	-0-			
Guaranteed Farm Ownership					
Loans (FO) <u>2/</u> <u>4/</u>	300,000	<u>1/</u>	275,000	260,000	
150,000	120,000	-0-			

1/ Maximum amount of loan.

2/ The loan approval official will not approve any FO loan to the same borrower which would exceed: (1) \$200,000 for the total principal direct indebtedness; or (2) \$300,000 for the total principal guaranteed indebtedness; or (3) \$300,000 for a combination of direct and guaranteed FO, providing the portion representing the direct indebtedness does not exceed \$200,000.

3/ The loan approval official will not approve any OL loan to the same borrower which would exceed: (1) \$200,000 total principal direct indebtedness; or (2) \$400,000 for the total principal guaranteed indebtedness; or (3) \$400,000 for a combination of direct and guaranteed indebtedness, providing the portion representing the direct indebtedness does not exceed \$200,000.

4/ The loan approval limitation includes the loan being made plus any outstanding principal balance for the respective OL, FO, EM, or EE loan types.

5/ State Executive Directors may delegate, revoke, increase, or decrease approval authority to amounts indicated in accordance with Attachment 1 of this Exhibit and §1901.4 (g) of this subpart.

6/ Those Farm Loan Program loans within the State Executive Director's approval authority can be approved in County Offices by State Office employees who have had such authority delegated to them by the State Executive Director. The term "State Office Employees" includes District Directors.

7/ Borrowers who will be indebted for a direct or guaranteed EE loan may be indebted or considered for FO, OL, or SW loans provided that the total indebtedness for those loans (direct or guaranteed) does not exceed \$650,000. This \$650,000 limit only applies when an EE loan is involved. When an applicant/borrower has or will have direct and guaranteed loans of the same type, the combined indebtedness cannot exceed the guaranteed loan limit for that type.

8/ Insured EE loans may be transferred in accordance with Instruction 1965-A.

9/ State Executive Directors may delegate, revoke, increase, or decrease their loan approval authorities to District Directors for guaranteed and direct OL and FO loans. (But not EM loans).

10/ An employee will not disapprove any loan which exceeds that official's approval authority, but will forward the loan and recommendations to the appropriate approval official for action.

11/ State Executive Directors' authority to approve EM loan servicing actions is limited to \$1,000,000 total EM indebtedness.

12/ County employees will have loan approval authority equivalent to that of the equivalent grade for a Farm Loan Officer or Farm Loan Manager.

o0o

CRITERIA FOR DELEGATION OF FARM LOAN PROGRAM LOAN APPROVAL AND SERVICING
AUTHORITY TO APPROVAL OFFICIALS OUTSIDE THE STATE OFFICE

Loan approval authority is a component of credit quality. State Executive Directors (SED) are responsible to assure that delegated approval authorities are consistent with approval official's skills and abilities. State Executive Directors will delegate and revoke authority to approve loans, and increase or decrease approval limits in accordance with this exhibit. The authority must be specifically delegated and will never exceed the maximum level of authority outlined in this exhibit.

Approval authority is a major responsibility, not to be taken lightly. Approval of loans consistent with Agency objectives requires analytical skill, training and experience in credit and financial analysis, knowledge and understanding of applicable Rural Development/Farm Service Agency Instructions and policies, and a commitment to loan quality. Consistent with these requirements, the following guidelines will be used in delegating loan approval authority and setting approval limits:

1. Loan approval officials must have a minimum of 1 year, and preferably 2 years of experience in analysis of credit/guarantee requests, development of loan and/or servicing documentation, and analyzing borrower performance. In addition, loan approval officials must:
 - (a) Complete the formal Farm Loan Officer (FLO) training program developed by the National Office. The FLO training course is designed to combine classroom type training and hands on experience, generally within a 1-year period. FLO trainees and other Federal employees will work under the guidance of an experienced loan approval official;
 - (b) Successfully completed the Credit and Financial Analysis Training course that is part of the formal FLO training; and
 - (c) Pass the final comprehensive test developed by the National Office.
2. Individuals must demonstrate proficiency prior to receipt of approval authority. This proficiency will be demonstrated by the following:

(a) Farm Loan Managers and FLOs must have submitted a minimum of five independently prepared loan dockets, which meet a credit quality level set by the SED and Farm Loan Chief (FLC). The files submitted for review must be of sufficient complexity and reflect the ability of the approval official to make good credit decisions and analyze an applicant's or borrower's operation. In addition, three of the dockets must be for term loans. This does not include youth loans; and

(b) District Directors and Farm Loan Specialists must submit three independently prepared loan dockets, and four independently completed docket reviews which meet a credit quality level set by the SED and FLC. The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant's or borrower's operation. In addition, two of the dockets must be for term loans. This does not include youth loans.

3. SED shall work with FLC to establish the method for completing ongoing credit quality post reviews. As a minimum, this review will follow the National Internal Review (NIR) credit quality standards and any additional standards established by the SED and FLC. These reviews will establish the maintenance of loan approval authority. An acceptable level of performance by the loan approval official will be a score of at least 90 percent compliance based on the applicable NIR questions.

4. Approval limits may be increased, decreased, or revoked as justified by the individual's performance, training experience, and need for the authority. When loan approval authority is reduced or revoked because of poor performance or abuse, the affected employee will be given specific reasons for the reduction or revocation. Such employees will be provided appropriate training and experience to correct cited deficiencies. Approval authority or the higher level of authority will be restored when the individual demonstrates that the cited deficiencies have been corrected.

In addition, County Executive Directors (CED) may be given authority to service direct and guaranteed loans. To receive this authority, CEDs must complete the FLO training modules on loan making and servicing and submit two loan servicing dockets that meet a credit quality level set by the SED and FLC.

Once these requirements have been met, loan servicing authority may be granted.

RURAL HOUSING
GUARANTEED, INSURED, AND DIRECT LOAN AND GRANT APPROVAL AUTHORITIES

Type of Assistance	State Director <u>1</u> /	Sub-State Director	District Director	County Supervisor	Assistant County Supervisor
RURAL HOUSING (RH)					
Section 502 Rural Housing Loans <u>2</u> / <u>4</u> /	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Section 504 Rural Housing Loans	---	---	---	20,000 <u>5</u> /	20,000 <u>5</u> /
Section 504 Rural Housing Grants	---	---	---	7,500 <u>5</u> /	7,500 <u>5</u> /
Guaranteed Rural Housing Loans <u>6</u> /	---	---	---	---	---
Labor Housing (LH)					
Loans (Individuals & Family Farm Corporations or Partnerships) <u>4</u> /	400,000 <u>7</u> /	250,000	100,000	---	---
Labor Housing Loans (Organizations)	400,000 <u>7</u> /	---	---	---	---
Labor Housing Grants	--- <u>8</u> /	---	---	---	---

Type of Assistance	State Director <u>1</u> /	Sub-State Director	District Director	County Supervisor	Assistant County Supervisor
Rural Cooperative Housing Loans	--- <u>7</u> /	---	---	---	---
Rural Housing Site Loans	200,000 <u>7</u> /	100,000	---	---	---
Technical Assistance (TA) Grants	200,000 <u>8</u> /	100,000	---	---	---
Rural Rental Housing (RRH) Loans	1,500,000 <u>7</u> / <u>10</u> /	1,000,000 <u>10</u> /	500,000 <u>9</u> / <u>10</u> /	---	---
Technical and Supervisory Assistance (TSA) Grants	--- <u>8</u> /	---	---	---	---
Housing Application Packaging Grants	20,000 <u>8</u> /	20,000 <u>8</u> /	7,600 <u>9</u> /	500	---

1/ State Directors may delegate approval authority to the amounts indicated in this exhibit in accordance with §1901.4 of this Instruction. Approval authority of this type will be delegated in writing.

2/ Approval officials may approve a Section 502 RH loan request for an amount up to the maximum dollar limitation of section 203(b) of the National Housing Act (12 U.S.C. 1709) (available in any Housing and Urban Development (HUD) office). Exceptions to this authority may be delegated in writing by the Administrator under the conditions outlined in §1944.17 of RD Instruction 1944-A.

3/ [Reserved]

4/ The loan approval limitation specified for the respective approval official will not be exceeded by the loan being approved, plus the outstanding principal and interest balance and undisbursed balance of previously authorized loans of the same type. Exceptions to approval limits may be made on a temporary basis by memorandum from the Administrator. If the loan is being processed in connection with an LH grant, approval authorities for the grant will apply to both the loan and grant.

5/ Maximum amount of grant assistance or loan outstanding.

6/ State Directors may establish authority limitations for loan guarantee approval officials according to the policies set forth in §1901.2 of this subpart. (Revised 03-31-99, PN 303.)

7/ Proposals in excess of the amount indicated, or where no amount is shown, require prior review and concurrence by the National Office before approval. If, after construction bids are opened or the loan has been approved, it is found that the project costs will exceed the amounts planned, thereby causing the amount of the loan assistance to exceed that previously concurred in by the National Office for the project, and project costs cannot be reduced to an acceptable level by negotiation, redesign, use of bid alternate, or other means, then the amount of the loan may be increased (subject to the requirements of program regulations) up to 10 percent without further concurrence by the National Office.

8/ Proposals in excess of the amount indicated or where no amount is shown require prior review and concurrence by the National Office before approval.

9/ District Directors will not approve loans and grants until they receive adequate training, have sufficient expertise, and have received written authority from the State Director.

10/ All preapplications involving congregate housing, group homes, and manufactured housing must be reviewed by the National Office before an application is authorized, unless a state-wide exception is authorized by the Assistant Administrator, Housing.

o0o

APPROVAL AUTHORITIES FOR CREDIT SALES OF INELIGIBLE/NONPROGRAM (NP)
TERMS [NONPROGRAM LOANS]

Type of Property	State Director	District Director <u>1/</u>	County Supervisor	Assistant County Supervisor
Single-family dwelling <u>2/</u>	\$ ----	\$ ----	\$ ----	\$ ----
Multiple-family housing facility <u>3/</u>	\$1,500,000	\$500,000		
Sites for housing <u>4/</u>	\$ 200,000			
Farm Real Estate	\$ any amount	\$500,000	\$400,000	
Farm Chattels	\$ any amount	\$300,000	\$200,000	
Recreation project <u>5/</u>			\$175,000 <u>5/</u>	

- 1/ Includes Island Directors in Hawaii and the Director for the Western Pacific Territories.
- 2/ Approval officials may approve credit sales on one or a group of dwellings to a single buyer in a single transaction in an amount not to exceed 85 percent of the maximum dollar limitation of section 203(b)(2) of the National Housing Act (12 U.S.C. 1709) (available in any Housing and Urban Development office) for each property. Exceptions to this authority may be delegated in writing by the Administrator under the conditions outlined in §1944.17 of RD Instruction 1944-A.
- 3/ Includes all facilities which formerly secured Rural Rental Housing or Labor Housing loans.
- 4/ Property which formerly secured Rural Housing Site loans, regardless of the intended use by the buyer.
- 5/ Approval authority for County Supervisor applies only to GS-11 County Supervisor and to property which secured a Recreation loan to an individual or farming corporation.

o0o

NONPROFIT NATIONAL CORPORATIONS LOAN AND GRANT APPROVAL AUTHORITIES

A. The Administrator may delegate separate written authorities for each State. The Administrator may, at his/her discretion, revoke State authorities and require the State Director to submit any and all actions to the National Office. Authorities will be periodically reviewed for updating.

B. Upon receipt of written notice of delegated authorities, the State Director may act to the extent delegated without prior review and concurrence by the National Office. Authority not delegated cannot be exercised.

C. State Directors cannot approve actions on loans or on loan applications previously disapproved or discouraged by the National Office.

D. Information regarding the dollar limitations of State Director's authorities is available in memorandum form at the State Office or at the National Office from the Director, Business and Industry Division.

oOo

